Mkhambathini Municipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Delivering of basic services to the community (Refuse removal, Road and Electricity Infrastructure and other community socio-activities)
Mayoral committee	Cllr. E. Ngcongo (Hon. Mayor)
	Cllr. L.Z. Lembethe (Deputy Mayor)
	Cllr. T.A. Gwala (Speaker)
Councillors	Cllr. K.R. Mofokeng
	Cllr. R.N. Lembethe
	Cllr. M.R. Ntuli
	Cllr. RN Zondo
	Cllr. R.B. Mkhize
	Cllr. K.E Mkhize (deceased, August 2017)
	Cllr. M.R. Shandu
	Cllr. S.Ngidi
	Cllr. N.W. Ntombela
	Cllr. N.J. Wensley
	Cllr. Z.F. Mbambo
	Cllr PN Maphanga (Newly elected, April 2018)
Chief Finance Officer (CFO)	Mr S Mngwengwe (Appointed 01 February 2018)
Municipal Website	www.mkhambathini.gov.za
Business address	18 Old Main Road Camperdown 3720
Postal address	Private Bag X04 Camperdown 3720
Contact number	031 785 9300
Auditors	Auditor-General
Bank	Standard Bank

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
DSD	Department of Social Development
SDL	Skills Development Levy
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
UMDM	Umgungundlovu District Municipality
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPRA	Municipal Property Rates Act
INEP	Intergrated National Electrification Program
EPWP	Extended Public Works Program

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements set out on pages 4 to 55, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 August 2018 .

Ndlela

Accounting Officer
Mrs T.C Ndlela

Accounting Officer' s Report

The accounting officer submits her report for the year ended 30 June 2018.

1. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

2.

The accounting officer's details during the year and to the date of this report is as follows:

Name	Nationality
Mrs. T.C. Ndlela	South African

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Operating lease asset	6	88 400	88 400
Receivables from exchange transactions	8&10	1 335 602	1 316 676
Receivables from non-exchange transactions	9&10	16 212 305	11 744 894
Cash and cash equivalents	11	58 973 389	52 815 823
		76 609 696	**65 965 793**
Non-Current Assets			
Investment property	3	4 523 600	5 251 600
Property, plant and equipment	4	119 103 374	113 477 946
Intangible assets	5	607 574	803 902
		124 234 548	**119 533 448**
Total Assets		**200 844 244**	**185 499 241**
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	8 382 753	6 944 819
VAT payable	16	139 772	633 398
Unspent conditional grants and receipts	13	965 671	5 435 395
Provisions	14	2 115 010	1 942 586
		11 603 206	**14 956 198**
Non-Current Liabilities			
Employee benefit obligation	7	3 572 866	3 305 985
Total Liabilities		**15 176 072**	**18 262 183**
Net Assets		**185 668 172**	**167 237 058**
Accumulated surplus	12	185 668 172	167 237 058

* See Note 40 & 39

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	497 749	466 332
Commissions received		1 461 289	1 377 061
Other income	20	1 154 748	609 855
Interest received - investment and outstanding debtors	21	7 085 124	5 690 548
Total revenue from exchange transactions		**10 198 910**	**8 143 796**
Revenue from non-exchange transactions			
Property rates	22	14 218 826	12 460 418
Transfer revenue			
Government grants & subsidies	23	73 337 407	66 502 689
Fines, Penalties and Forfeits		26 250	37 520
Licenses and Permits		4 602 934	3 332 878
Total revenue from non-exchange transactions		**92 185 417**	**82 333 505**
Total revenue	17	**102 384 327**	**90 477 301**
Expenditure			
Employee Related Cost	24	(34 140 751)	(26 441 445)
Remuneration of councillors	25	(5 172 985)	(4 797 931)
Contributions to Employee benefits (Long Service)	26	(266 881)	(423 492)
Depreciation and amortisation	27	(6 737 729)	(6 755 751)
Impairment loss	4&28	(1 952 528)	(512 262)
Debt Impairment	29	(2 985 237)	(2 168 761)
Contracted services	30	(14 494 338)	(10 446 418)
Loss on disposal of assets and liabilities/ (Transfers to other organ of state)	4	(8 422 110)	(967 915)
General Expenses	31	(8 516 043)	(9 621 397)
External Audit fees	32	(1 264 610)	(1 089 236)
Total expenditure		**(83 953 212)**	**(63 224 608)**
Surplus for the year		**18 431 115**	**27 252 693**

* See Note 40 & 39

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**139 984 365**	**139 984 365**
Correction of Error	498 969	498 969
Net income (losses) recognised directly in net assets	498 969	498 969
Surplus for the year	26 753 724	26 753 724
Total changes	27 252 693	27 252 693
Restated* Balance at 01 July 2017	**167 237 057**	**167 237 057**
Changes in net assets		
Net income (losses) recognised directly in net assets	-	-
Surplus for the year	18 431 115	18 431 115
Total recognised income and expenses for the year	18 431 115	18 431 115
Total changes	18 431 115	18 431 115
Balance at 30 June 2018	**185 668 172**	**185 668 172**

* See Note 40 & 39

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Taxation		-	88 671
Sale of goods and services		21 019 305	17 173 028
Grants		77 819 917	68 767 485
Interest Received		3 483 773	3 004 349
		102 322 995	89 033 533
Payments			
Employee costs		(33 968 327)	(23 995 272)
Remuneration of Councillors		(5 172 985)	(4 797 931)
Cash Paid to Suppliers		(35 010 010)	(29 079 538)
		(74 151 322)	(57 872 741)
Net cash flows from operating activities	35	**28 171 673**	**31 160 792**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(22 014 107)	(15 330 876)
Purchase of other intangible assets	5	-	(274 472)
Net cash flows from investing activities		**(22 014 107)**	**(15 605 348)**
Net increase in cash and cash equivalents		**6 157 566**	**15 555 444**
Cash and cash equivalents at the beginning of the year		52 815 823	37 260 379
Cash and cash equivalents at the end of the year	11	**58 973 389**	**52 815 823**

* See Note 40 & 39

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	531 000	-	**531 000**	497 749	**(33 251)**	
Commissions received	-	-	-	1 461 289	**1 461 289**	(b)
Other income	851 000	(4 200)	**846 800**	1 154 748	**307 948**	(c)
Interest Received - Investment	2 618 000	254 000	**2 872 000**	3 483 773	**611 773**	(d)
Interest received - Debtors	1 248 000	(1 248 000)	-	3 601 351	**3 601 351**	(d)
Total revenue from exchange transactions	**5 248 000**	**(998 200)**	**4 249 800**	**10 198 910**	**5 949 110**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13 435 000	1 248 000	**14 683 000**	14 218 826	**(464 174)**	(e)
Transfer revenue						
Government grants & subsidies	63 487 000	510 000	**63 997 000**	55 612 210	**(8 384 790)**	(f)
Fines, Penalties and Forfeits	74 000	4 000	**78 000**	26 250	**(51 750)**	
Licenses and permits	4 659 000	518 000	**5 177 000**	4 602 934	**(574 066)**	(a)
Total revenue from non-exchange transactions	**81 655 000**	**2 280 000**	**83 935 000**	**74 460 220**	**(9 474 780)**	
Total revenue	**86 903 000**	**1 281 800**	**88 184 800**	**84 659 130**	**(3 525 670)**	
Expenditure						
Employee related cost	(32 247 000)	205 800	**(32 041 200)**	(34 140 751)	**(2 099 551)**	(g)
Remuneration of councillors	(5 398 000)	(14 600)	**(5 412 600)**	(5 172 985)	**239 615**	(h)
Contribution to Long Service Awards	-	-	-	(266 881)	**(266 881)**	(i)
Depreciation and amortisation	(6 100 000)	-	**(6 100 000)**	(6 737 729)	**(637 729)**	(j)
Impairment loss/ Reversal of impairments	-	-	-	(1 952 528)	**(1 952 528)**	
Finance costs	(196 000)	196 000	-	-	-	
Debt Impairment	-	(600 000)	**(600 000)**	(2 985 237)	**(2 385 237)**	(k)
Repairs and Maintenance	-	(3 460 000)	**(3 460 000)**	-	**3 460 000**	(L)
Contracted Services	-	(28 086 000)	**(28 086 000)**	(14 494 338)	**13 591 662**	(N)
General Expenses	(42 820 000)	29 220 000	**(13 600 000)**	(9 780 653)	**3 819 347**	(N)
Total expenditure	**(86 761 000)**	**(2 538 800)**	**(89 299 800)**	**(75 531 102)**	**13 768 698**	
Loss on disposal of assets and liabilities	-	-	-	(8 422 110)	**(8 422 110)**	
Transfer recognised - Capital	-	-	-	16 285 000	**16 285 000**	
Sub-Total before operational revenue and expenditure	-	-	-	**7 862 890**	**7 862 890**	
Surplus or (Deficit) for the year after capital expenditure	**142 000**	**(1 257 000)**	**(1 115 000)**	**16 990 918**	**18 105 918**	
Capex_externally funded	(16 285 000)	-	**(16 285 000)**	(17 725 197)	**(1 440 197)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit for the year from continuing operations	**16 427 000**	**(1 257 000)**	**15 170 000**	**(734 279)**	**19 546 115**	
Capex_Internally funded	(6 700 000)	-	**(6 700 000)**	(4 288 851)	**2 411 149**	
Surplus or (Deficit) for the year after capital expenditure	**9 727 000**	**(1 257 000)**	**8 470 000**	**(5 023 130)**	**21 957 264**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Explanations

(a) License and permits and Commission received – The item was budgeted and the actual income is higher than the budgeted amount due to the high turnout of motorist who came to the municipality for the service. The amount of money received by the municipality for performing the Department of Transport activities has been reclassified and reported under commission received. The municipality received 8.55% from the total income made on behalf of Department of Transport.

(b) Service charges - The number of customers who benefited from the service delivered by the municipality for the collection of waste remained unchanged and the municipality anticipated the growth which was going to impact on the revenue generated.

(c) Other income – Other income is for leases, building fees, tender fees and all other sundry income received by the municipality. An early advertisement of projects in April/ May 2018 budgeted for in 2018/19 financial year resulted to increase in other income because they were income received during the year which was projected for 2018/19 financial year for tender fees.

(d) Interest received – The interest received on investment was budgeted and amount of R2,8 million and the interest received on investments increased due to funds being invested for longer period due to more cash on hand. Interest on outstanding debtors was not included on the budget however the increase on outstanding debtors resulted to high interest received on outstanding debtors.

(e) Property rates – This was due to the late implementation of the supplementary roll. They were properties which were added to our valuation roll due to demarcation implementation in 2016 and the change were only effected during the financial year under review.

(f) Government grants and subsidies – Government grants and subsidies - Municipality has managed to spend 100% on most conditional grants excluding Library Services grant from Province and that resulted in the recognition of income for all grants received including the grants which were unspent in 2016/17 financial year. The huge varience is on the derecognition of the INEP grant which was included on the budget (revenue).

(g) Employee related costs – Filling of all senior management positions and the implementation of the job evaluation had an impact when comparing the expenditure with last year but in terms of the budget the spending was within the budget except the fact that the varience of R2 million on the budget versus actual was because of the grant funded salaries which was not included on the salaries budget but was provided for under grant funding..

(h) Remuneration of Councillors – There was a vacancy for few months in the council which contributed to the underspending on the remuneration for Councillors.

(i) Contribution to medical aid and long service awards – This was under budgeted for as this is variable depending on the valuation done by the Actuary.

(j) Depreciation and Amortisation - The depreciation is higher than the one budgeted due to additions to property plant and equipment, completion of some projects which was not completed from previous years and impairment of assets during this period

(k) Debt impairment – Increase is due to the arrears in older debt and non - payment

(l) Repairs and maintenance – The item for repairs and maintenance was reclassified to contracted services due to mSCOA requirement hence the expenses was not reported under repairs and maintenance.

(n) General expenditure – The other general expenditure budgeted on this line item were reclassified to contracted services due to mSCOA requirement however the overall expenditure shows the underspending on the item due to the implementation of the National Treasury circular on cost containment measures.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Estimates were used on the following elements: Property, plant and equipment, Post employment benefits, defined contribution plans, employee benefits, provisions and contigencies and intangible assets

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.The Subsequent measurement of investment properties is carried at cost (Cost Model) .

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Item	Useful life
Property - land	indefinite
Property - buildings	20 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

Accounting Policies

1.2 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost.Property ,Plant and Equipment is carried at cost less accumulated depreciation and impairment losses (Cost Model)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Property ,plant and equipment are depreciated on the straight line basis over their useful lives to their estimates.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings		
• Animal pound and Parkhomes	Straight line	30
Plant and machinery		
• Brush cutters and Lawn Mowers	Straight line	3 - 15
• Tractors	Straight line	10 - 25
• Guardrians and Boreholes	Straight line	15
Furniture and fixtures		
• Chairs and Sofas	Straight line	5 - 20
• Bookshelves and Cabinet	Straight line	7 - 20
• Desks and Tables	Straight line	7 - 20
Motor vehicles		
• Motor Vehicles	Straight line	7 - 20
Office equipment		
• Printers	Straight line	3-9
• Cameras	Straight line	3-9
• Video Cameras	Straight line	3-9
IT equipment		
• Laptop	Straight line	3-8
• Desktop	Straight line	3-8
• Central Processing unit	Straight line	3-8
Infrastructure		
• Roads and Paving	Straight line	10-30
• Stormwater	Straight line	20-25
Community		
• Building (Halls ,change rooms ,Taxi rank building and toilets)	Straight line	30
• Grand stand and Paved Area	Straight line	20-30
• Sportfield ,combination court ,fences ,Water tanks	Straight line	10-18
Other		
• Tools and equipment	Straight line	3-9
• Plant and Equipment	Straight line	2-25
• Office Equipment	Straight line	3-9
Security Measures		
• Walls	Straight line	30
• Gates and Fencing	Straight line	10

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Accounting Policies

1.3 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Transitional provision

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.4 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	3-5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.5 Financial instruments

Initial recognition and measurements

Financial instruments are recognised initially when the Municipality becomes a party to the contractual provisions of the instrument

The municipality classifies financial instruments,or their component parts ,on initial recognition as a financial assets,a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value except for equity investments for which a fail value is not determinable ,which are measured at cost and are classified as available - for - sale financial assests.

For financial instruments which are not fair value through surplus or deficit ,transaction costs are included in the initial measurement of the instrument.

Receivables from exchange transaction. Traderecievables are measured at initial recognition at fair value. Trade and other receivables are classified as recievables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad Debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from exchange transactions

Trade payables are initially measured at fair value ,and are subsequently measured at amortised cost ,using the effective interest rate method liabilities are generally settled within the period of 30 days, accordingly, any impairment, if any ,are considered to be immaterial.

Cash and cash equivalent : Cash includes cash on hand and cash with banks. Cash equivalents are short - term highly liquid investments that are held with registered banking institutions with martuarities of three months or less and are subject to an insignificant risk of change in Value.

1.6 Tax

Income tax expense

No provision has been made for Income tax as the municipality is exempt from taxation in terms of section 10 (1) (A) of the Income Tax Act.

VALUE ADDED TAX (VAT) :

The municipality accounts for VAT on the cash / payments basis.VAT output is paid over to SARS once the cash is recieved from the customer and VAT input is claimed when suppliers are paid.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately. Operating leases are those leases that are not finance leases.Operating lease rentals are expensed on the straight line basis.

Accounting Policies

1.7 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash generating assets are as follows:

1.8 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

Accounting Policies

1.11 Employee benefits (continued)

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Contributions to Natal Joint Fund (NJF) and are made as follows :

- Provident 1 - 21 Members - 5 % council 9 %
- Provident 2 - 7 Members - 7 % council 18.04 %
- Provident 3 - 4 Members - 9.25 % Council 13.65%
- Retirement 2 Members - 7 % Council - 13.65 %
- Superannuation 45 Members - 9.25 % Council - 25 %

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

Accounting Policies

1.12 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases, approved and contracted commitments
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.
- An additional disclosure has been made for future commitments which are mainly informed by the approved budget for capital projects to be implemented in the next financial year and are disclosed as approved and not yet contracted for.

1.14 Revenue Recognition

Revenue is recognised at cost and no interest is recognised as a result of any time value of money adjustments.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.15 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the minicipality recieved revenue from another entity without directly giving approximately equal value in exchange.Revenue from non-exchange transactions is generally recognised to the extent that the related reciept or recievable qualifies for recognition as an asset and there is no liability to repay the amount.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative information

When the presentation or classification of items in the annual financial statements is amended,prior period comparative amounts are reclassified.The nature and reason for the reclassification prior period comparative amounts are reclassified.The nature and the reason for the reclassification is disclosed.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Conditional Grants and Reciepts

Revenue recieved from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria ,conditions or obligations have not been met, a liability is recognised.

1.22 Presentation of budget information

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016-07-01 to 2017-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Related parties

The muncipality operates in an economic sector curently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the National sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2016	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 1: Presentation of financial statements	01 April 2016	Unlikely there will be a material impact
• GRAP 2: Cash Flow Statements	01 April 2016	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2016	Unlikely there will be a material impact
• GRAP 3: Accounting Policies, Change in Estimate and Errors	01 April 2016	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2016	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2016	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2016	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2016	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

3. Investment property

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	4 523 600	-	4 523 600	5 251 600	-	5 251 600

Reconciliation of investment property - 2018

	Opening balance	**Transfers**	**Total**
Investment property	5 251 600	(728 000)	4 523 600

Reconciliation of investment property - 2017

	Opening balance	**Total**
Investment property	5 251 600	5 251 600

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.Investment properties (Land) are held for capital appreciation.

The investment property of R728 000 was transfered from investment property to Property Plant and Equipment because the municipality is currently implementing the project on the land (Camperdown Town Hall).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	728 000	-	728 000	-	-	-
Buildings	12 799 352	(3 852 650)	8 946 702	12 799 352	(3 466 242)	9 333 110
Capital Work in Progress	13 523 238	-	13 523 238	12 874 378	-	12 874 378
Furniture and fixtures	613 302	(113 374)	499 928	1 055 932	(506 819)	549 113
Motor vehicles	5 389 949	(1 382 035)	4 007 914	3 241 559	(1 036 485)	2 205 074
Office equipment	1 128 957	(675 836)	453 121	1 075 649	(565 510)	510 139
IT equipment	1 542 366	(988 617)	553 749	1 483 934	(867 431)	616 503
Infrastructure	54 238 229	(14 375 445)	39 862 784	51 046 421	(12 114 505)	38 931 916
Other property, plant and equipment	1 075 522	(880 915)	194 607	1 020 180	(834 161)	186 019
Community Assets	69 537 780	(19 204 449)	50 333 331	63 098 041	(14 826 347)	48 271 694
Total	**160 576 695**	**(41 473 321)**	**119 103 374**	**147 695 446**	**(34 217 500)**	**113 477 946**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	-	728 000	-	-	-	-	728 000
Buildings	9 333 110	-	-	-	(386 408)	-	8 946 702
Capital Work in Progress	12 874 378	19 110 190	-	(18 461 330)	-	-	13 523 238
Furniture and fixtures	549 113	27 001	(11 834)	-	(64 387)	-	499 928
Motor vehicles	2 205 074	2 148 390	-	-	(345 550)	-	4 007 914
Office equipment	510 139	79 764	(26 448)	-	(110 326)	-	453 121
IT equipment	616 503	78 166	(19 735)	-	(121 185)	-	553 749
Infrastructure	38 931 916	6 028 455	(2 240 836)	-	(2 856 751)	-	39 862 784
Other property, plant and equipment	186 019	98 539	(43 317)	-	(46 754)	-	194 607
Community Assets	48 271 694	12 710 736	(6 086 533)	-	(2 610 040)	(1 952 528)	50 333 331
	113 477 946	**41 009 241**	**(8 428 703)**	**(18 461 330)**	**(6 541 401)**	**(1 952 528)**	**119 103 374**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	9 571 220	-	-	570 572	(351 666)	(457 016)	-	9 333 110
Capital Work in Progress	16 846 416	14 335 949	-	(17 852 268)	-	-	(455 719)	12 874 378
Furniture and fixtures	501 707	121 703	-	-	(72 824)	(1 473)	-	549 113
Motor vehicles	2 028 424	684 235	(235 671)	-	(271 914)	-	-	2 205 074
Office equipment	503 201	108 213	(70)	-	(101 205)	-	-	510 139
IT equipment	693 200	80 777	(30 278)	-	(127 196)	-	-	616 503
Infrastructure	33 367 591	-	-	8 310 585	(2 746 260)	-	-	38 931 916
Other property, plant and equipment	308 439	-	(4 750)	-	(117 670)	-	-	186 019
Community Assets	42 939 811	-	-	8 971 111	(2 798 308)	(53 774)	(787 146)	48 271 694
	106 760 009	**15 330 877**	**(270 769)**	**-**	**(6 587 043)**	**(512 263)**	**(1 242 865)**	**113 477 946**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	3 013 972	9 860 530	12 874 502
Additions/capital expenditure	3 617 851	15 492 215	19 110 066
Transferred to completed items	(6 028 454)	(12 432 876)	(18 461 330)
	603 369	**12 919 869**	**13 523 238**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and Maintenance - Building and Facilities	3 185 069	359 204
Repairs and Maintenance - Road Infrastructure	-	1 727 981
Repairs and Maintenance - Equipment and other assets	13 553	651 317
Repairs and Maintenance - Motor Vehicles	237 285	247 451
	3 435 907	**2 985 953**

5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 082 624	(475 050)	607 574	1 082 624	(278 722)	803 902

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	803 902	(196 328)	607 574

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	698 252	274 472	(168 822)	803 902

6. Operating lease asset and liabilities

Current assets	88 400	88 400

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

7. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

The municipal personel are members of the Natal Joint Municipal Pension Retirement Fund, manely Superannuation, Retirement and Provident Funds and there are few members who contritbute to GEPF are due to the fact that they were employed before the local government establishment. As the aforementioned funds multi-employer funds, the allocation of any surplus/ deficit to individuals funds cannot be determined. Futhermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific fund and is of no relevance to users of the Annual Financial Statements.

Post retirement medical aid plan

POST RETIREMENT MEDICAL BENEFITS

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post -retirement medical benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

The amounts recognised in the statement of financial position are as follows:

	2018	2017
Carrying value		
Employee Benefit Obligation	3 572 866	3 305 985

The fair value of plan assets includes:

	2018	2017
In-Service members		
Number of in-service members	47	49
Average age	39,3	38,9
Average past service	9,4	8,8
Average present value of subsidy at retirement	R 1 252	R 1 283

Summary of the in-service membership	**Female**	**Male**	**Total**
Number of in-service members	30	19	49
Number of pensioners	-	-	-
Average age	40,6	37,3	39,0
Average past service	9,8	8,7	18,5
Average number of dependents	1,7	1,8	3,5
	-	-	-

- We assummed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assummed that female spouses would be five years younger than their male spouse.

Decremental withdrawal rates	2018	2017
Age 20 - 24	24 %	16 %
Age 25 - 29	18 %	12 %
Age 30 - 34	15 %	10 %
Age 35 - 39	10 %	8 %
Age 40 - 45	6 %	6 %
Age 45 - 49	4 %	4 %
Age 50 - 54	2 %	2 %
Age 55 - 59	1 %	1 %
Age 60 - 64	0 %	0 %
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Opening accrued liability	2 104 029	1 697 483
Current service cost	204 748	179 350
Interest cost	212 813	167 646
Actuarial (gains) losses	(363 630)	59 550
	2 157 960	**2 104 029**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,88 %	10,11 %
Health care cost inflation rate	7,58 %	8,37 %
Net-of-health-care-cost-inflation discount rate	2,14 %	1,61 %
Maximum subsidy inflation rate	5,31 %	5,90 %
Net-of-maximum-subsidy-inflation discount rate	4,34 %	3,98 %

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

Pre-retirement Mortality

SA 85 - 90 ultimate table, adjusted for female lives.

Post retirement Mortality

PA (90) ultimate table

Average Retirement Age

The normal retirement age of employees is 65 for both male and females. It has been assumed that in-service members will retire at age 65 on average, which effectively implies that the expected rates of ill-health and early retirement are nil.

Figures in Rand	2018	2017

7. Employee benefit obligations (continued)

Long Service Awards and Retirement Gifts

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service.

Accrued liability		
Accrued liability (Non-Current liability)	1 414 705	1 201 956

Comparison of assumptions		
Discount rate per annum	9,0 %	9,0 %
General Salary Inflation rate (long term)	6,0 %	0,0 %
Net effective discount rate	2,0 %	0,0 %
Retirement Age	65	65

Comparison of eligible employees		
Number of eligible employees	96	72
Average annual salary	224 929	179 326
Salary-weighted average age	39,7	40,0
Salary-weighted average past service	6,9	8,8

Average retirement age 65

Pre-retirement mortality SA 85 - 90

Withdrawals rates		
Age 20 - 24	24 %	16 %
Age 25 - 29	18 %	12 %
Age 30 - 34	15 %	10 %
Age 35 - 39	10 %	8 %
Age 40 - 44	6 %	6 %
Age 45 - 49	4 %	4 %
Age 50 - 54	2 %	2 %
Age 55 - 59	1 %	1 %
Age 60 +	0 %	0 %
	-	-

Past year and future projected liability		
Opening accrued liability	1 201 955	1 185 010
Accrued liability	-	21 927
Current - Service Cost	127 384	150 058
Interest Cost	94 901	100 747
Benefits vesting	(169 665)	(64 161)
Actuarial loss/ (Gain)	160 330	(191 626)
	1 414 905	**1 201 955**

An amount of R21 927.86 was not paid as at 30 June 2017 for long service awards and was included after the report was signed.

8. Receivables from exchange transactions

Payment In Advance	964 896	964 896
Other debtors	182 841	240 346
Consumer debtors - Refuse	187 865	111 434
	1 335 602	**1 316 676**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

9. Receivables from non-exchange transactions

Consumer debtors - Rates	16 212 305	11 744 894

10. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	27 470 855	20 114 053
Consumer debtors - Refuse	347 584	175 306
	27 818 439	**20 289 359**
Less: Allowance for impairment		
Consumer debtors - Rates	(11 258 550)	(8 369 159)
Consumer debtors - Refuse	(159 719)	(63 872)
	(11 418 269)	**(8 433 031)**
Net balance		
Consumer debtors - Rates	16 212 305	11 744 894
Consumer debtors - Refuse	187 865	111 434
	16 400 170	**11 856 328**
Included in above is receivables from exchange transactions		
Refuse	187 866	111 434
Included in above is receivables from non-exchange transactions		
Rates	16 212 305	11 744 893
Net balance	**16 400 171**	**11 856 327**
Rates		
Current (0 -30 days)	4 819 162	2 851 279
31 - 60 days	1 241 725	1 238 658
61 - 90 days	587 580	413 091
91 - 120 days	502 891	428 915
121 - 365 days	491 835	436 698
> 365 days	8 104 706	5 871 764
Debtors with Credit Balances	464 406	504 489
	16 212 305	**11 744 894**
Refuse		
Current (0 -30 days)	39 700	37 264
31 - 60 days	21 918	23 684
61 - 90 days	13 911	11 474
91 - 120 days	11 424	10 249
121 - 365 days	9 132	14 890
> 365 days	91 781	13 873
	187 866	**111 434**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Consumer debtors disclosure (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(8 433 032)	(6 264 271)
Contributions to allowance	(2 985 236)	(2 168 761)
	(11 418 268)	**(8 433 032)**

Councillors in Arrears

No councillors were in arrears with the municipality in 2017/18	-	-

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand /Float	981	521
Standard Bank -Account number - 052149978 - Current account	1 596 843	2 261 809
Standard Bank -Account number - 354264338 - Market Link	41 756 672	50 553 493
Standard Bank -Account number - 358478994	15 618 893	-
	58 973 389	**52 815 823**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
STD BANK - 052 149 978 (Primary Account)	1 596 843	2 261 809	1 042 318	1 596 843	2 261 809	1 042 318
STD BANK - 354 264 338 (Market Link)	41 568 543	50 553 493	36 217 540	41 756 672	50 553 493	36 217 540
STD BANK - 358 478 994 (Fixed Deposit)	15 618 893	-	-	15 618 893	-	-
Petty Cash	981	521	521	981	521	521
Total	**58 785 260**	**52 815 823**	**37 260 379**	**58 973 389**	**52 815 823**	**37 260 379**

The difference between the bank balance figure and the cash book was due to the accrued interest earned on the Market link account for June 2018.

12. Accumulated surplus

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

MIG	-	1 440 197
Municipal assistance programme	47 028	47 028
Community development workers grant	11 225	11 225
Housing grant	444 068	444 068
Lums grant	46 537	46 537
Electrification Grant	-	2 398 234
EPWP grant	(1)	7 980
Library grant	416 814	1 040 126
	965 671	**5 435 395**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Unspent conditional grants and receipts (continued)

Movement during the year

Library Grant		
Opening balance	1 040 126	442 855
Current year receipts	795 000	1 265 000
Conditions met - transfer to revenue	(1 418 312)	(667 729)
Conditions still to be met - transfer to liabilities	**416 814**	**1 040 126**

The purpose of the grant is to address the Constitutional mandate whereby public libraries are an exclusive provincial competency. The funding assists the municipalities with the provision of library services. The condition of the grant was not 100% funded which was caused by the late approval of the roll-over application.

MAP grant		
Opening balance	47 028	47 028
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	**47 028**	**47 028**

The Department of Co-operative Governance and Traditional Affairs allocated a grant to municipality to assist the municipalities to implemented the Financial matters including but not limited to valuation roll implementation. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality will write the motivation to the transferring department requesting to utilize the funding.

Community development workers		
Opening balance	11 225	11 225
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	**11 225**	**11 225**

The Department of Co-operative Governance and Traditional Affairs allocated a grant to municipality to assist the municipalities with the implementation of the community development workers. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality will write the motivation to the transferring department requesting to utilize the funding.

LGSETA Subsidy		
Current year receipts	23 917	49 125
Conditions met - transfer to revenue	(23 917)	(49 125)
Conditions still to be met - transfer to liabilities	**-**	**-**

The purpose of the subsidy is to contribute towards the training and development of the staff members of the municipality. The municipality implemented trainings in line with Works Skills Plan and the LGSETA gave the municipality the money to co-fund the training done by the municipality. The municipality submitted the activity plan to National Treasury which was later approved. The municipality spent 100% of the total amount of the subsidy received.

Financial management grant		
Opening balance	-	1 051
Current year receipts	1 900 000	1 825 000
Conditions met - transfer to revenue	(1 900 000)	(1 826 051)
Conditions still to be met - transfer to liabilities	**-**	**-**

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. The municipality submitted the activity plan to National Treasury which was later approved. The approved activity plan was 100% implemented and the conditions of the grants was 100% met.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Unspent conditional grants and receipts (continued)

Housing grant

Opening balance	444 068	1 037 274
Current year receipts	-	(593 206)
Conditions still to be met - transfer to liabilities	**444 068**	**444 068**

The Department of Human Settlement allocated a grant to municipality to assist the municipalities to implemented the provision of housing to the community. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality will write the motivation to the transferring department requesting to utilize the funding.

Lums grant

Opening balance	46 537	46 537
Current year receipts	-	-
Conditions met - transfer to revenue	-	-
Conditions still to be met - transfer to liabilities	**46 537**	**46 537**

The Department of Co-operative Governance and Traditional Affairs allocated a grant to municipality to assist the municipalities to implemented the Lums. The municipality implemented the project prior years and there was an amount which remains unspent and the municipality will write the motivation to the transferring department requesting to utilize the funding.

Municipal infrastructure grant

Opening balance	1 440 197	-
Current year receipts	16 285 000	13 926 000
Conditions met - transfer to revenue	(17 725 197)	(12 485 803)
Conditions still to be met - transfer to liabilities	**-**	**1 440 197**

The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. The municipality implemented infrastructure projects in line with the conditions of the grants and the 100% conditions of the grants was met.

Expanded Public Works Programme Grant

Opening balance	7 980	45 961
Current year receipts	1 089 000	1 253 000
Conditions met - transfer to revenue	(1 096 980)	(1 290 981)
Conditions still to be met - transfer to liabilities	**-**	**7 980**

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines. The grant was 100% implemented and the conditions of the grants was 100% met.

Electrification

Opening balance	2 398 234	1 538 667
Rollover not approved, Paid back to National Revenue Fund	(1 446 000)	-
Current year receipts	8 000 000	10 000 000
Conditions of the Grants met	(8 952 234)	(9 140 433)
Conditions still to be met - transfer to liabilities	**-**	**2 398 234**

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure. The municipality met the condition of the grant 100% and grant was spend to complete Phase 1 and Phase 2 Maqongqo Electrification.

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited;

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Unspent conditional grants and receipts (continued)

Unfulfilled conditions and other contingencies attaching to government assistance has been recognised as a current liabilities.

These amounts are invested in a seperate bank account and are supported by cash in the bank.

14. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Provision for leave	1 942 586	172 424	2 115 010

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Provision for leave	1 861 846	80 740	1 942 586

The leave provision represents managements best estimate of the municipality's liability under one period based on prior experience.

15. Payables from exchange transactions

	2018	2017
Trade payables	3 445 057	3 360 372
Payments received in advanced - debtors	464 406	-
Other creditors	495 578	591 613
Retention	3 977 712	2 992 834
	8 382 753	**6 944 819**

16. VAT payable

	2018	2017
Tax refunds payables	139 772	633 398

17. Revenue

	2018	2017
Service charges	497 749	466 332
Commissions received	1 461 289	1 377 061
Other income	1 154 748	609 855
Interest received - investment and outstanding debtors	7 085 124	5 690 548
Property rates	14 218 826	12 460 418
Government grants & subsidies	73 337 407	66 502 689
Fines, Penalties and Forfeits	26 250	37 520
Licenses and permits	4 602 934	3 332 878
	102 384 327	**90 477 301**

	2018	2017
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	497 749	466 332
Commissions received	1 461 289	1 377 061
Other income	1 154 748	609 855
Interest received - investment and outstanding debtors	7 085 124	5 690 548
	10 198 910	**8 143 796**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	14 218 826	12 460 418
Transfer revenue		
Donations Income	73 337 407	66 502 689
Fines, penalties and forfeits	26 250	37 520
Licenses and Permits	4 602 934	3 332 878
	92 185 417	**82 333 505**

18. Service charges

Refuse removal	497 749	466 332

19. Other income

Commissions received	1 461 289	1 377 061

20. Other income

Operating lease income	69 574	69 051
Library Income	1 953	23 372
Clearance Certificates	15 105	10 247
Tender Fees	164 778	48 202
Building Plan (Plan Fees)	410 197	194 200
Insurance Claims refund	336 088	-
UMgungundlovu District Municipality and Department of Social Development Receipts	124 959	258 409
Planning Application Fee	8 814	6 374
Skills Development Refund	23 280	-
	1 154 748	**609 855**

21. Interest received

Interest revenue		
Interest earned from investments	3 483 773	3 004 349
Interest charged on trade and other receivables	3 601 351	2 686 199
	7 085 124	**5 690 548**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Property rates

Rates received

Residential	3 058 899	3 007 171
Commercial	711 094	600 471
State and Education	2 236 428	814 105
Agriculture	2 976 785	3 000 808
Public service infrastructure	134 029	156 495
Sectional Title	973 163	809 509
Other Properties	135 793	1 620 842
Industrial	5 528 243	3 913 074
Less: Income forgone	(1 535 607)	(1 462 057)
	14 218 827	**12 460 418**

Valuations

Residential	291 702 000	277 921 000
Commercial	94 983 000	67 242 000
State and education	146 061 120	75 023 270
Agriculture	1 408 358 000	1 538 876 000
Public sevice infrastructure	86 308 600	80 254 000
Sectional Title	75 783 000	74 816 000
Other Properties	230 502 540	273 158 990
Industrial	680 357 000	418 270 000
	3 014 055 260	**2 805 561 260**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The movement on the valuation roll was due to the new propoerties which was transfered from other municipalities due to redemarcation which was implemented as from August 2016 but was only effected on the Supplimentary Valuation Roll in 2017/18 Financial Year.

23. Government grants and subsidies

Operating grants		
Equitable share	51 173 000	50 183 000
Library - Grant Income	1 418 312	667 729
Financial Management Grant	1 900 000	1 826 051
LGSETA Subsidy	23 917	49 125
EPWP Grant	1 096 981	1 290 981
	55 612 210	**54 016 886**
Capital grants		
Municipal Infrastructure Grant	17 725 197	12 485 803
Total - Government grants & subsidies	73 291 407	66 502 689

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Employee related costs

Basic	23 423 021	17 797 312
Bonus	1 362 447	1 303 929
Medical aid	1 360 235	1 186 140
UIF	188 409	140 963
WCA	5 952	-
SDL	268 018	204 502
Leave pay provision charge	1 484 052	872 206
Phone Allowance	61 820	46 220
Defined contribution plans	3 139 953	2 758 486
Travel, motor car, accommodation, subsistence and other allowances	416 000	214 000
Overtime payments	1 358 551	1 183 480
Acting allowances	8 246	46 085
Housing benefits and allowances	247 889	199 906
Bargaining Council Contributions	32 158	8 216
Stipend - Ward Committee	784 000	480 000
	34 140 751	**26 441 445**

Remuneration of Municipal Manager

Annual Remuneration	972 803	1 081 185
Travel Allowance	72 000	72 000
Performance Bonuses	69 550	-
Back Pay	25 621	9 831
Leave Payout	229 719	-
Cellphone Allowance	19 500	16 500
	1 389 193	**1 179 516**

Remuneration of Chief Financial Officer

Annual Remuneration	422 735	843 945
Travel Allowance	88 000	72 000
Performance Bonuses	60 665	-
Leave Pay	186 989	-
Housing Subsidy and other allowances	26 392	386
Cellphone Allowance	8 400	9 600
Back Pay	-	8 176
	793 181	**934 107**

The Chief Financial Officer resigned from Office as from 23 September 2017 and new CFO was appointed with effect from 01 February 2018 and there was no Acting CFO during the period from October 2017 to Janaury 2018.

Remuneration of Manager of Community Services

Annual Remuneration	384 184	675 414
Travel Allowance	99 000	70 000
Back Pay	3 442	8 176
Other Allowance	-	9 321
Cellphone Allowance	6 400	8 000
Leave Pay	-	129 651
	493 026	**900 562**

The Manager Community Services resigned in April 2017 and new Manager Community Services was appointed November 2017.

Remuneration of Manager Technical Services

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Employee related costs (continued)

Annual Remuneration	405 570	-
Travel Allowance	135 000	-
Back Pay	6 885	-
Cellphone Allowance	7 200	-
	554 655	**-**

The Manager Technical Services position has been vacant since February 2015 and was only filled as from 01 October 2017.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Employee related costs (continued)

Remuneration of Manager of Corporate Services

Annual Remuneration	707 329	-
Travel Allowance	22 000	-
Leave Pay	23 067	-
Back Pay	15 299	-
Cellphone Allowance	8 800	-
	776 495	**-**

The Corporate Services Manager position has been vacant since 21 November 2015 and was only filled as from 01 August 2017.

25. Remuneration of councillors

Mayor	800 517	798 762
Deputy Mayor	649 292	561 156
Exco Members	360 767	311 529
Speaker	649 294	526 536
Councillors	2 361 636	2 295 003
Section 79 Councillor	351 479	304 945
	5 172 985	**4 797 931**

26. Administrative expenditure

Contributions to Medical Aid and long service awards	266 881	423 492

27. Depreciation and amortisation

Property, plant and equipment	6 541 401	6 586 929
Intangible assets	196 328	168 822
	6 737 729	**6 755 751**

28. Impairment of assets

Impairments

Property, plant and equipment Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]	1 952 528	512 262

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

29. Debt impairment

Debt impairment	2 985 237	2 168 761

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

30. Contracted services

Information Technology Services	906 618	958 980
Fleet Services	1 109 016	418 921
Operating Leases	501 954	481 635
Specialist Services	2 749 170	-
Other Contractors	9 227 580	8 586 882
	14 494 338	**10 446 418**

Other Contractors listing		
Repairs and Maintenance - Building and Facilities	3 185 069	359 204
Repairs and Maintenance - Road Infrastructure	-	1 727 981
Repairs and Maintenance - Equipment and other maintenance	13 553	651 317
Repairs and Maintenance - Vehicle	237 285	247 451
Legal Fees	767 025	557 827
Valuation Fees	262 525	229 146
Telephone and Fax	519 428	456 730
Insurance Premium	273 465	134 598
Protective Clothing	288 418	146 730
Transport fees, Car rental	294 399	-
Food and Beverage/ Catering	36 943	-
Project Management	19 539	-
Asset Management Consultant	1 039 418	895 908
Internal Audit Fees	784 703	704 203
Accounting Support	456 605	816 464
IDP Support	-	338 000
Consultants fees	249 019	413 921
Security Services	14 396	-
mSCOA Implementation	785 790	907 402
	9 227 580	**8 586 882**

General expenses has been reclassified to contracted services due to the nature of the expense incurred. The prior year period has been reclassified as well and the Note showing the reclassification has been disclosed..

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

31. General expenses

Materials	30 584	22 820
Advertising	388 172	211 105
Pound Security	21 239	30 000
Face Value - Licence Card Renewals	1 098 813	429 050
Consumables	1 516 835	401 024
Landfill Site Fees	228 736	247 402
Community development and training	440 258	2 745 907
Interest Paid	170 456	143 489
SALGA Membership fees	627 875	500 000
Communication/ Newsletter	646 223	96 325
Licence Renewal	13 354	16 268
Disaster Management	124 769	249 531
Postage and courier	18 427	26 491
Printing and stationery	53 933	407 053
Art & Culture	817 628	333 171
Security Charges - Banking	79 701	287 950
District Shared Services Contribution	-	133 718
Training and Development	134 722	554 057
Subsistance and Travelling	545 811	647 572
Water and Electricity	900 588	809 655
Tracker Subscription	43 988	30 352
Building Control	11 375	62 204
Sport and Recreation	143 029	990 277
Other Expenses	299 367	68 324
Civic and Hospitality	160 160	177 652
	8 516 043	**9 621 397**

General expenses has been reclasified to Contracted services.

32. Auditors' remuneration

External Audit Fees	1 264 610	1 089 236

33. Operating lease commitments (lessee)

Operating Lease payment rentals payable by the municipality for certain office photocopying machines.Leases are negotiable between three to five years.Lease rentals escalates between 0 to 10 % per annum over the period of lease.

Operating Lease - as lessee (Expense)

Minimum Lease Payment Due		
Within 1 Year	144 932	149 049
Between two to five years	93 851	102 085
	238 783	**251 134**

34. Operating lease commitments (lessor)

Present value of minimum lease payment due		
Within 1 Year	68 572	68 572
Between two to five years	205 717	274 289
	274 289	**342 861**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

35. Cash generated from operations

	2018	2017
Surplus	18 431 115	27 252 693
Adjustments for:		
Depreciation and amortisation	6 737 729	6 755 751
Loss on sale of assets	8 422 170	967 914
Impairment deficit	1 952 528	512 262
Debt impairment	2 985 237	2 168 761
Movements in operating lease assets and accruals	-	(19 678)
Movements in retirement benefit assets and liabilities	266 881	489 977
Movements in provisions	172 424	504 232
Changes in working capital:		
Inventories	-	-
Receivables from exchange transactions	(18 926)	(1 126 560)
Receivables from non-exchange transactions	(4 419 791)	(5 854 562)
Payables from exchange transactions	(1 348 343)	(1 948 626)
VAT Payable	(493 626)	3 634 664
VAT Receivable	-	88 761
Unspent conditional grants and receipts	(4 515 725)	(2 264 797)
	28 171 673	**31 160 792**

36. Capital Commitments

Committed in respect of Capital Expenditure

	2018	2017
Already contracted for but not provided for		
• Community Assets	16 308 752	3 609 233
• Road Infrastructure	7 704 223	1 705 395
	24 012 975	**5 314 628**
Not yet contracted for and authorised by accounting officer		
• Community Assets	2 700 000	17 884 349
• Road Infrastructure	2 850 500	3 200 000
	5 550 500	**21 084 349**
Total capital commitments		
Capital Commitments already contracted for	24 012 975	5 314 628
Capital Commitments not yet contracted for	5 550 500	21 084 349
	29 563 475	**26 398 977**

Commitments in respect of operating expenditure

	2018	2017
Already contracted for		
• Contracted Services	1 320 053	786 233
• Electrification	-	1 433 338
	1 320 053	**2 219 571**
Total operational commitments		
Already contracted for but not provided for	1 320 053	2 219 571

Notes to the Annual Financial Statements

37. Contingent Liability

Litigation Cases:

1. Director General: Department of Labour - This matter concerns claims against the municipality for allegedly breaching certain conditions of the Employment Equity Act. The expected costs are R1 600 000.

2.Durban Sky Dive Centre cc and another - This matter is a town planning contravention for illegal use. The expected cost is R109 364.

3. Excellence at work consultants cc - Termination of a feasibility study for a cemetary site. The expected costs are R23 912.
4. SANRAL - To negotiate the purchase of land from SANRAL for municipal use. The matter is being held in abeyance.

5. AM Shezi - Rescission of a default judgement. The matter is pending. The expected cost is unknown at this point.

6.Land invasion (Amasisweni Maqamu Trust) - Illegal buildings are being erected on trust land with no permission. The matter is pending. The expected cost is unknown at this point.

7. Wartnaby and others - To address the complaints received in regards to the illegal occupation of Hope Farm. The matter is pending. The expected cost is unknown at this point.

8. Amber Productions cc - Clearing of vacant land. The matter is pending. The expected cost is unknown at this point.

9. Global Pact - The dispute between the contractor and consultant implementing a project for the municipality. The estimated cost is R2 000 000.

10. Manderstone PDA appeal - The appellants advised that it was their intention to bring a high court review applications against the municipality to prove the rezoning. The high court application notice has been received and the council will then decide whether or not to oppose the application or set aside the matter. The costs are unknown at this point.

11. HFR Properties (Pty) Ltd - Portion 17 of the farm Honing Krantz no 945 - HFR properties has erected building without approved plans and is using the property in conflict with town planning scheme provision. The attorneys have been instructed to obtain the court order for the illegal use of the property. The expected cost is unknown at this point.

12. Spar Development - Actions was taken against the developers of Spar to enforce compliance with various transgressions of the town planning scheme. The developer appealed to the municipality to allow it time to regulate the transgression. Discussions are to be held with Spar. The expected costs are unknown at this point.

13. ERF 149 Camperdown Madrasah - A successful order was obtained to prevent unlawful occupation of a building erected without necessary building plans. A bill of cost was taxed but the municipality decided to pursue the matter out of the court and implement the court order to demolish the building.

38. Related parties

No transactions recored during the year for related parties.

39. Prior period errors

The amount for consumer debtors (refuse removal) was incorrectly disclosed under Receivables from non-exchanged transaction (Consumer debtors) in 2016/17 Annual Financial Statements and when the current year's Annual Financial Statement was prepared an error was identified and corrected. An amount of R111 434 was moved from non-exchanged transaction to exchanged transaction which chaged the reported figures for the two line items. The new figures which reflecton the face of the Statement of Financial Position is disclosed below.

Figures in Rand	2018	2017

39. Prior period errors (continued)

An amount made by the municipality through the issuing of driver's licences on behalf of Deprtment of Transport was incorrectly classified under line item for Licence and Permits while the municipality is receiving 8.55% commission from each transaction. The commission received for all Department of Transport transactions has been correctly classified.

The correction of the error(s) results in the restatement of as follows:

	2018	2017
Statement of financial position		
Receivables from exchanged transaction	-	1 316 676
Receivables from non-exchanged transaction (Consumer debtors)	-	11 744 894
Statement of Financial Performance		
Commission received	-	1 377 061
Licenses and Permits	-	3 332 878

40. Correction of error

The municipality implemented the Supplementary Valuation roll in 2017/18 Financial Year which also affected prior year as they were values which were changed with effect from 2016/17 Financial Year and the billing of those account were implemented as from 2016/17 Financial Year which resulted to the change of revenue and debtors amount. The correction of an error amounts to R489 969.

An amount of R111 434 was incorrectly classified under Receivables from non-exchanged transactions instead of Receivables from exchanged transactions because the municipality is paid an amount for the service provided to customers. The error has been corrected.

The face of the Annual Financial Statements was affected as follows:

Statement of financial position

2017

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions	10	1 205 242	111 434	1 316 676
Receivables from non-exchange transactions	10	11 357 358	387 535	11 744 894
		12 562 600	**498 969**	**13 061 570**

Statement of finanical performance

2017

	Note	As previously reported	Correction of error	Restated
Property Rates	22	11 961 448	498 969	12 460 418
Commission Received		15 565	1 361 496	1 377 061
License and Permits		4 694 374	(1 361 496)	3 332 878
Surplus for the year		**16 671 387**	**498 969**	**17 170 357**

Notes to the Annual Financial Statements

41. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The amount reflected within trade and other payables from exchange transactions are R 8,337,147 (2017 : R6,944,820)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2018**	**2017**
Cash and Cash Equivalent	58 973 389	52 815 823
Consumer debtors	16 400 170	11 856 328

42. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 185 668 172 and that the municipality's total assets exceed its liabilities by R 185 668 172.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these factors is the ability of the accounting officer to continue procure funding for the ongoing operations for the municipality.

The assumption is that the municipality will be able to continue operating for a period of time that is sufficient to carry out its commitments, obligations, objectives, and so on. The municipality will not have to liquidate or be forced out of business in the foreseeable future. The municipal current cash and cash equivalent amount (R58 973 389) is sufficient for the municipality to pay its current obligations (R11 417 829) and continue operate for at least more than six months without considering any income to be received by the municipality during the six months' period.

43. Events after the reporting date

- No events occured after reporting date.

44. Unauthorised expenditure (Non - cash items)

Debt Impairment	1 352 556	-
Depreciation	618 204	-
General Expenses	1 991 619	-
Closing Balance	**3 962 379**	-

Notes to the Annual Financial Statements

44. Unauthorised expenditure (Non - cash items) (continued)

Unauthorised expenditure on non cash items is due to the fact that these items are variable in nature, see appendix G3 for more details.

The unauthorised expenditure on General Expenses relates to expenditure incurred (non cash items) for loss on disposal of assets/ transfer of assets to Durban Metro due to Municipal Demarcation and the impairment reversal on assets.

45. Fruitless and wasteful expenditure

Opening balance	4 208 315	3 158 129
Add: Fruitless and Wasteful Expenditure - current year	28 733	1 050 186
Closing Balance	**4 237 048**	**4 208 315**

The current year's Fruitless and Wastful Expenditure (R8 307) incurred by the municipality relates to interest charges by Eskom and Telkom for the late payments. The municipality did not have control over these late payments becasue the invocies from Eskom and Telkom are sent late to the municipality and the municipality end up paying after due date. The matter has been discussed with the two entities in trying to resolve the late submission of invoices. An amount of R20 427 was penalties and interest charged by SARS for late payment on VAT Payable.

46. Irregular expenditure

Opening balance	5 166 155	3 246 466
Add: Irregular Expenditure - current year	4 748 905	1 919 689
Add: Irregular Expenditure for Prior Year's identified in Current year (Bank Charges)	894 806	-
Amounts not condoned	**10 809 866**	**5 166 155**

The municipality incurred irregular expenditure of R5 643 711 during current year. The details of the irregular expenditure incurred for the year are as follows:

The municipality incurred irregular expenditure amount of R144 638 for not adhering to the local content requirements as stipulated on the regulations. The municipality incurred an expenditure amounting to R17 774 for catering services and service provider was Udumo Trading. UDumo Trading was discovered as in service of the state during the audit last year. An amount of R149 510 and R199 990 was incurred during the financial year and the municipality did not follow the SCM process and only one quote was obtained for the provision of the servic

In 2017/18 financial year, Bus Shelters (R12 500) were damaged in ward 1 and the community requested that they be fixed and the fixing of the bus shelters were recorded as deviation but the Internal Audit concluded after scrutiny that the expenditure is irregular. Only one quote was received and emergency nature of the transaction was not justifiable. They were expenditure during the current year (2017/18) which were incurred but three quotations were not obtained totaling an amount of R50 395 which include servicing of Air conditioner.

The municipality is currently utilizing Standard Bank for Banking Services and the account was opened in 1990. The municipality have not implemented a Supply Chain Management Process to appoint the bank for the municipality since then which is not in line with the Municipal Supply Chain Management Regulations. The municipality incurred an amount of R170 456 for the bank charges during the year 2017/18. An amount of R894 806 was incurred from July 2010 to June 2017. The expenditure incurred by the municipality for the Standard Bank service has been declared as irregular expenditure because the Municipal Supply Chain Management processes were not followed to appoint the service provider. The municipality is unable to find the records either within the municipality nor the bank but only have the information as from 2010 to date.

The municipality incurred an irregular expenditure for the appointment of Davport Trading for the construction of Ediphini Creche. The service provider was the highest from all service providers who passed functionality however the price exclusive VAT was used for Davport Trading and it was later added as variation when the service provider submitted the VAT registration. The total amount of 4 021 668.29 is therefore irregular expenditure.

Notes to the Annual Financial Statements

Figures in Rand

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	627 875	500 000

Audit fees

Amount paid - current year	1 264 610	1 089 236

PAYE and UIF

Current year amount	5 864 634	4 422 602
Amount paid - current year	(5 806 327)	(4 422 602)
	58 307	-

The PAYE outstanding was for the Performance Bonus paid to the Municipal Manager and the former Chief Financial Officer. The approval of the Performance Bonus was on 28 June 2018 which resulted to the delays on effecting the payments. An amount of R4960 remains unpaid from September 2017 and was also not captured from EMP201.

Pension and Medical Aid Deductions

Current year contribution	6 612 544	5 564 060
Amount paid - current year	(6 612 126)	(5 564 060)
	418	-

VAT Receivable

All VAT returns have been submitted by the due date throughout the year.

48. Deviation from procurement processes

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements. The transaction amounting to R1 740 730 was incurred during the financial year and were reported to Council quarterly and all of them were approved by council.

Goods and services procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Popsprint and stationers	112 575	54 150
Chubb Fire and security	16 557	29 960
Red Alert	20 520	-
Magma Security	318 813	-
Ion Consulting	124 260	-
Driving license card	849 412	406 360
Gijima Holdings	7 224	-
Key Truck and cars PTY LTD	7 754	-
Hino Pietermaritzburg	108 617	49 228
Government printing works	14 713	5 161
UMgungundlovu community radio station	4 750	-
Lincroft books	32 807	-
Radio World cc	7 500	-
Fernhill Hotel	17 640	-
Lion Park Lodge	37 150	-
City of Choice	3 492	-
Human Communication	7 998	-
Maritzburg Central	8 011	-
Tyrall's Towing & Repair services	8 000	-
Sanitec	5 130	-
Hilton Life Hospital	3 345	-
Mc Carthy Toyota	-	5 653
Altans motor services	5 514	5 722
IT Maintenance	-	4 443
Managerial Integrity Evaluation	-	4 958
Garden City Motors	-	6 471
Estone Service Station	18 948	-
	1 740 730	**572 106**

The reasons for deviation per line item are as follows:

Popsprint and stationers The municipality couldn't follow the SCM process for the acquisition of the Learners and Drivers licence application forms because the service is provided by Popsprint only and the deviation was reported and approved for sole supplier for an amount of R112 575.	112 575	54 150
Chubb Fire and security The municipality appointed Chubb Security for the installation of the security control equipment which include access control door, boom gate etc. The equipment needed some maintenance and as the supplier who installed the equipment it was then decided that we engage them to fix what the supplied to us.	16 556	29 960

Notes to the Annual Financial Statements

48. Deviation from procurement processes (continued)

Red Alert The municipality engaged Red Alert for the installation of the CCTV Cameras and recording machines for the cameras and every time cameras having a problem or faulty, Red Alert is called to fix them hence expenditure of R20 520 was incurred during the year.	20 520	-
Magma Security Magma Security was engaged after they were security risks for the Municipal Manager and there was a need to provide Bodyguard for MM and that was treated as case of emergency.	318 812	-
Ion Consulting Ion is ICT consultant the municipality have and they were engaged on an emergency perspective.	124 260	-
Driving license card Only one company who make the drivers licenses in South Africa hence no either way the municipality must engage them for the service.	849 412	406 360
Gijima Holdings Type of the qualification verification and assessment for the appointment of Senior managers required the municipality to engage with the service provider and they provide the type of verification and assessment that was required.	7 224	-
Key Truck and cars PTY LTD Municipality owns Isuzu cars and the repairs for these cars cannot be done by any other garage beside Isuzu garage. Key Truck specialize with Isuzu cars.	7 753	-
Hino Pietermaritzburg Municipality owns Hino truck and the truck needed some repairs and the only way was to send it to Hino garage.	108 617	49 228
Government printing works Only one government printing works who deals with gazette in South Africa.	14 712	5 161
UMgungundlovu community radio station The municipality wanted the Hon. Mayor to have a slot on local radio (UMgungundlovu radio).	4 750	-
Lincroft books Advertising on the Eyethu, which is the UMgungundlovu newspaper was done by the municipality due to targeted audience.	32 807	-
Radio World cc In December 2017, 22 after the municipality and most companies were closed, the municipality had a challenge with the loud healing equipment which was working during the month but only gave problem when there was a meeting on the next day which required loud healing therefore the expenditure was incurred to fix the loud healing equipment due to emergency.	7 500	-

Fernhill Hotel

Notes to the Annual Financial Statements

Figures in Rand

48. Deviation from procurement processes (continued)

SCM processes was followed and Fernhill Hotel was appointed for the certain number of players and technical team for the District Games but due to unforeseen circumstances the number of delegates was miss calculated then there was addition of number of delegate/ participants which caused the increase in terms of price.	17 640	-

Lion Park Lodge

EPWP had an induction for all newly appointed employees and the decision was to conduct the induction within the jurisdiction of the municipality and the only place who had enough rooms and conference room was Lion Park Lodge which was also central when looking at the ward demarcations.	37 150	-

City of Choice

Emergency for the Municipal Manager to attend the meeting and the three quotes could not be sourced.	3 491	-

Human Communication

Municipality wanted to advertise on the Isolezwe and Witness and the quote was the requested from the human communication as it was emergency.	7 998	-

Maritzburg Central

Insurance claim was done and the municipality was expected to pay the excess fees therefore no SCM process was followed for the excess.	8 010	-

Tyrall's Towing & Repair services

There was a breakdown for the municipal car then the towing of the municipal car was required immediately and as case of emergency Tyrall's Towing was engaged.	8 000	-

Sanitec

Sewage was the biggest challenge in the municipal building and we couldn't wait for UMgungundlovu District Municipality and for environmental issues we had to act immediately and correct the situation.	5 130	-

Hilton Life Hospital

Participant during the District Games got injured and broke his leg and an emergency was attended and the closest hospital was Hilton Life Hospital.	3 345	-

Altans Motors

Municipality utilized altans motors for the repairs and maintenance of the municipal cars.	5 514	5 722

Estone service station

Estone service station assisted the municipality with the stripe and quote for the municipal tractor and the incident reported attended on an emergency basis because the tractor couldn't continue with the journey and three quote could not be sourced.	18 948	-

49. VAT Payable

VAT Payable	139 772	633 397

Notes to the Annual Financial Statements

50. Expenditure reclassification as per mSCOA requirements

There were items which were reported as General expenses in 2016/17 and reclassified to contracted services during 2017/18 due to mSCOA requirements.	-	-

General Expenses	Amount reported 2016/17	Adjustments	Reclassified Total
Material	22 820	-	22 820
Advertising	211 105	-	211 105
Auditors Remuneration	1 089 236	(1 089 236)	-
Pound Security	30 000	-	30 000
Face Value- Licence Card Renewals	429 050	-	429 050
Legal Expenses	557 828	(557 828)	-
Consumables	401 024	-	401 024
Valuation Roll Fees	229 146	(229 146)	-
Landfill Site expenses	247 402	-	247 402
Loss on sale of an asset	967 915	(967 915)	-
Rentals	481 635	(481 635)	-
Insurance Premium	134 598	(134 598)	-
Community Development and training	2 745 907	-	2 745 907
Conferences and seminars	535 522	(535 522)	-
Interest Paid	143 489	-	143 489
IT Expenses	440 334	(440 334)	-
Levies - SALGA Membership	500 000	-	500 000
Magazines and periodicals	96 325	-	96 325
Licence Renewal	16 268	-	16 268
Disaster Management	249 531	-	249 531
Fuel and oil	418 921	(418 921)	-
Postage and Courier	26 491	-	26 491
Printing and Stationery	407 053	-	407 053
Arts and Culture	333 171	-	333 171
Protective Clothing	146 731	(146 731)	-
Security Charges-Banking	287 950	-	287 950
Telephone and Fax	456 730	(456 730)	-
District shared services contribution	133 718	-	133 718
Training and Development	554 057	-	554 057
Subsistance and travelling	112 051	535 521	647 572
Water and Electricity	809 655	-	809 655
Tracker Subscription	30 352	-	30 352
Building Control	62 204	-	62 204
Sport and Recreation	990 277	-	990 277
Civic and Hospitality	177 652	-	177 652
Consultants fees	3 168 493	(3 168 493)	-
Other Expenses	586 970	(518 646)	68 324
	18 231 611	**(8 610 214)**	**9 621 397**

Contracted Services	Amount reported 2016/17	Adjustments	Reclassified Total
Legal Expenses	-	557 828	557 828
Valuation roll fees	-	229 146	229 146
Rentals	-	481 635	481 635
Insurance Premium	-	134 598	134 598
Information Technology Services	-	958 980	958 980
Fleet Services	-	418 921	418 921
Protective Clothing	-	146 731	146 731
Telephone and Fax	-	456 730	456 730
Consultants fees	-	4 075 895	4 075 895

50. Expenditure reclassification as per mSCOA requirements (continued)

Repairs and Maintenance	-	2 985 954	2 985 954
	-	**10 446 418**	**10 446 418**

The implementation of mSCOA as from 01 July 2017 requires the municipality to reclassify its expenditure reported during 2016/17 financial year to Contracted services including the repairs and maintenance. The municipality have therefore reclassified the above reported figures from its audited Annual Financial Statements for 2016/17.

An amount of R518 646 who was disclosed under line item for other expenses in 2016/17 (Note 23) has been reclassified to Information Technology Services due to mSCOA requirements.

The repairs and maintenance expenditure which was previously reported on the face of the Statement of Financial Performance has been reclassified and included on the contracted services as per the mSCOA requirement. An amount of R2 985 953 for repairs and maintenance is therefore included and splited on Note 29 for contracted services.

An amount of R3 353 574 which was previously disclosed under Grant and Subsidies Expenditure has been reclassified to individual items and the items which were affected were Contracted Service, Employee related costs and General expenditure.

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2018

	2018/2017											2017/2016			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	13 435 000	1 248 000	14 683 000	-		14 683 000	14 717 797		34 797	100 %	110 %				11 961 448
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - water revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - sanitation revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	531 000	-	531 000	-		531 000	497 749		(33 251)	94 %	94 %				466 332
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - external investments	2 618 000	254 000	2 872 000	-		2 872 000	3 483 773		611 773	121 %	133 %				3 004 349
Interest earned - outstanding debtors	1 248 000	(1 248 000)	-	-		-	3 601 351		3 601 351	DIV/0 %	289 %				2 686 199
Commission received	-	-	-	-		-	1 461 289		1 461 289	DIV/0 %	DIV/0 %				15 565
Fines	74 000	4 000	78 000	-		78 000	26 250		(51 750)	34 %	35 %				37 520
Licences and permits	4 659 000	518 000	5 177 000	-		5 177 000	4 602 934		(574 066)	89 %	99 %				4 694 374
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	63 487 000	510 000	63 997 000	-		63 997 000	55 566 210		(8 430 790)	87 %	88 %				66 502 689
Other revenue	851 000	(4 200)	846 800	-		846 800	1 154 748		307 948	136 %	136 %				609 855
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**86 903 000**	**1 281 800**	**88 184 800**	**-**		**88 184 800**	**85 112 101**		**(3 072 699)**	**97 %**	**98 %**				**89 978 331**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2018

	2018/2017											2017/2016			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	32 247 000	(206 000)	32 041 000	-	-	32 041 000	31 595 671	-	(445 329)	99 %	98 %	-	-	-	23 995 272
Remuneration of councillors	5 398 000	14 800	5 412 800	-	-	5 412 800	5 172 985	-	(239 815)	96 %	96 %	-	-	-	4 797 932
Debt impairment	700 000	(100 000)	600 000		-	600 000	1 952 528	-	1 352 528	325 %	279 %	-	-	-	512 262
Depreciation & asset impairment	6 100 000	-	6 100 000		-	6 100 000	6 737 729	-	637 729	110 %	110 %	-	-	-	6 755 751
Finance charges	196 000	(196 000)	-	-	-	-	-	-	-	DIV/0 %	- %	-	-	-	-
Repairs and Maintenance	-	3 460 000	3 460 000	-	-	3 460 000	-	-	(3 460 000)	- %	DIV/0 %	-	-	-	-
Transfers recognised operational	-	-	-	-	-	-	3 962 527	-	3 962 527	DIV/0 %	DIV/0 %	-	-	-	3 353 574
Other expenditure	42 120 000	(28 520 000)	13 600 000	-	-	13 600 000	21 264 510	-	7 664 510	156 %	50 %	-	-	-	14 270 800
Contracted Services	-	28 086 000	28 086 000	-	-	28 086 000	14 815 627	-	(13 270 373)	53 %	DIV/0 %	-	-	-	9 539 016
Total Expenditure	**86 761 000**	**2 538 800**	**89 299 800**	-	-	**89 299 800**	**85 501 577**	-	**(3 798 223)**	**96 %**	**99 %**	-	-	-	**63 224 607**
Surplus/(Deficit)	**142 000**	**(1 257 000)**	**(1 115 000)**	-		**(1 115 000)**	**(389 476)**		**725 524**	**35 %**	**(274)%**				**26 753 724**
Transfers recognised - capital	16 285 000	-	16 285 000	-		16 285 000	17 725 197		1 440 197	109 %	109 %				16 851 000
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**16 427 000**	**(1 257 000)**	**15 170 000**	-		**15 170 000**	**17 335 721**		**2 165 721**	**114 %**	**106 %**				**43 604 724**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**16 427 000**	**(1 257 000)**	**15 170 000**	-		**15 170 000**	**17 335 721**		**2 165 721**	**114 %**	**106 %**				**43 604 724**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**16 427 000**	**(1 257 000)**	**15 170 000**	-		**15 170 000**	**17 335 721**		**2 165 721**	**114 %**	**106 %**				**43 604 724**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**16 427 000**	**(1 257 000)**	**15 170 000**	-		**15 170 000**	**17 335 721**		**2 165 721**	**114 %**	**106 %**				**43 604 724**